

Enhancing Supply Chain Resilience: Transforming your Procurement Operating Model



We live in an increasingly interconnected, complex and uncertain global marketplace, where the significance of a resilient supply chain cannot be overstated. Growing disruption caused through events such as natural disasters, geopolitical tensions and, more recently, the pandemic have emphasised the fragility of supply chains globally. Confronting these challenges requires businesses to implement transformational change within their organisations, centred on their procurement operating model.

In this blog, we will highlight the importance of optimising your procurement and supply chain activities to develop enduring risk protocols and resilience through the fundamental transformation of your procurement operating model. Increasingly, the operational and commercial viability of businesses hinges upon a key element of procurement operations – the management of suppliers and the extended supply chains to ensure the security and reliability of supply.

Understanding the Procurement Operating Model

The procurement operating model encompasses the strategies, processes, people, experience, relationships, technology and governance structures that define how an organisation acquires goods and services from external suppliers. Historically, procurement has focused on cost savings and efficiency, and been perceived as a backroom support function. However, the current global context necessitates a fundamental shift towards a more holistic and strategic approach that prioritises resilience and risk mitigation at the forefront. This has raised the profile and impact of the procurement function which today prompts debate in the boardroom and so, shapes the way organisations operate.

The Imperative for Transformation

The number of reasons why businesses must transform their procurement operating models is extensive and growing. Below, we will discuss a few of the most critical.

Supply Chain Vulnerabilities Exposed: Global supply chains have had their vulnerabilities exposed through repeated, widespread and increasingly unforeseen global events. Of all business supply chains, those most heavily reliant on single-source suppliers or those overly focused in specific geographic regions have been most impacted and disrupted by unforeseen events. Therefore, a contemporary fit-for-purpose procurement model seeks to diversify supplier networks, reducing dependence on a single source (supplier and/or geographical market) and thereby mitigate supply-side risks.

Demand for Real-Time Visibility: The pace and agility of modern business networks across first, second and third-tier suppliers makes real-time visibility a necessity within any supply chain. Whilst this is a significant challenge, available advanced technologies like Internet of Things (IoT) sensors and AI-driven analytics enable procurement professionals to monitor the transportation of goods, foresee potential disruptions, predict wider supply risks and respond accordingly.

Supplier Collaboration and Relationships: A transformed procurement operating model prioritises effective strategic supplier relationships and their long-term management. In this way, nurturing collaborative partnerships, where appropriate, with suppliers may foster open communication, opportunities for innovation and shared risk management strategies to generate additional layers of resilience to your supply chain.

Data-Driven Decision-Making: Data is a critical asset to any modern business, yet its value is often dependent on its integrity, cleanliness and accessibility. The rigorous analysis and management of data provides the foundation for the identification of potential risks and opportunities, which informs robust procurement and supply chain decision-making. By effectively harnessing data analytics, businesses can make informed decisions rapidly to mitigate risk, maintain healthy inventory levels, ensure operational sustainability through guaranteed sources of supply and improve overall procurement and supply chain efficiency.

Elements of Transformation

Digitalisation and Technology Adoption: The tactical components of transformation typically revolve around the adoption and adaptation of embracing digital technologies. Examples include e-procurement platforms, predictive analytics programmes and AI-powered demand forecasting which can streamline processes, improve accuracy and enable better risk assessment.

Agile Procurement Processes: Traditional procurement processes are known to be inflexible, slow to adapt and arduous. However, the integration of agile methodologies with assistance from intuitive software can radically reshape procurement's value adding potential. Through effective use, procurement personnel and processes will enhance adaptability, responsiveness and the ability to align core business and stakeholder priorities in the face of disruptions.

Scenario Planning: A well-designed plan that has been distributed effectively goes a long way in managing crises as they collide with your business, consumers and stakeholders. However, a considerable amount of time, and energy, is required to anticipate potential disruptions to forecast what and how plans should be executed. Thorough scenario planning exercises, usually performed by digital twin capabilities, develop proactive and versatile strategies countering risk, ensuring business continuity even during adverse climates.

Benefits of a Transformed Procurement Operating Model

Fortified Resilience: A diversified supplier base, real-time data-driven insights and improved supplier relationships all contribute to a more resilient and collaborative supply chain that can endure disruption and deliver wider procurement and supply chain objectives.

Reduced Lead Times: Combining procurement processes with agile methodologies and real-time visibility produces shorter goods and services lead times, enabling faster organisational adaptation to changing market conditions and ensuring security of timely supply.

Cost Management: While resilience is a priority, cost optimisation remains a fundamental focus for procurement and supply chain activity. A successfully transformed procurement operating model is developed with a clear alignment to a procurement vision and strategy that has clear functional objectives with an appropriate balance between cost savings, value delivery and risk mitigation.

Innovation: Closely knitted supplier relationships provide collaborative ways of working and the environment conducive for innovation as suppliers become strategic partners in developing new products, services, processes and solutions.

Conclusion

As organisations continue to encounter an ever-expanding number of familiar and new challenges, the transformation of procurement's operating model joins the ranks of strategic imperatives for all. To achieve an operating model transformation fit for today's business and climate, a comprehensive approach must be adopted that weaves technology, collaboration, data-driven insights and agile practices harmoniously. Through dedicated design and implementation of the procurement operating model, businesses can fortify their supply chains and promote, with assurance, that the flow of products and services necessary to compete and sustain operations will continue in an unpredictable climate.

At 4C Associates, we ensure the best procurement and supply chain operating model practice is observed and applied to projects across all industries. If you would like to learn more about our sustainability approach in procurement and supply chain and how we have helped companies achieve their goals and beyond, please feel free to get in touch. We are always happy to share thoughts and learn from you as well. Contact [Allison Ford-Langstaff](#), Managing Partner or [Jack Vanner](#), Consultant to find out more.

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